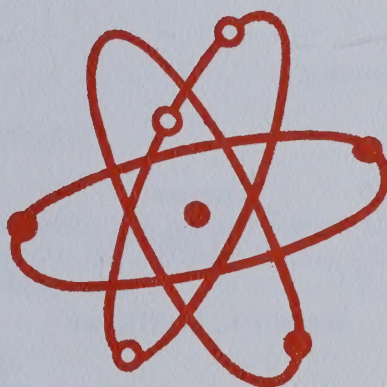


QUEBEC MATTAGAMI MINERALS LIMITED



Annual Report
to the
Shareholders

FOR THE FISCAL YEAR ENDED DECEMBER 31ST, 1966

QUEBEC MATTAGAMI MINERALS LIMITED

Officers

President - - - - - J. L. C. JENNER
Vice-President - - - - - WILMOT L. MATTHEWS
Secretary - - - - - R. A. CRANSTON, Q.C.
Treasurer and Assistant Secretary - - - - - E. A. PIGULSKI

Directors

J. L. C. JENNER
R. A. CRANSTON, Q.C. J. DOUGLAS STREIT
WILMOT L. MATTHEWS

Transfer Agent and Registrar GUARANTY TRUST COMPANY OF CANADA
88 University Avenue, Toronto 1, Canada

Auditors MCCORMACK, BAKER & WESBROOK

Bankers CANADIAN IMPERIAL BANK OF COMMERCE

Solicitors LANG, MICHENER, CRANSTON,
FARQUHARSON & WRIGHT

Head Office

Suite 1705 - 80 Richmond St. West
TORONTO 1, CANADA

ANNUAL MEETING
FRIDAY JUNE 30, 1967
10.00 A.M. TORONTO TIME
KING EDWARD SHERATON HOTEL

QUEBEC MATTAGAMI MINERALS LIMITED

Report of the Directors

Your Directors submit herewith the Annual Report of the Company for the year ended December 31, 1966, which includes the Balance Sheet, Auditors' Report and Statement of Exploration and Administrative Expenses.

AGNEW LAKE PROPERTY

Kerr Addison Mines Limited has served notice, pursuant to the terms of the agreements entered into with it by your Company in 1965, of its intention to incorporate a new company to acquire the property in Hyman Township owned 80% by Kerr Addison and 20% by Quebec Mattagami. Upon the transfer of above property to the new company Quebec Mattagami will receive 150,000 shares and Kerr Addison 600,000 shares of its capital stock or 20% and 80% respectively of the vendor shares. Under the agreements, Quebec Mattagami has the right to maintain its 20% interest by contributing 20% of the monies required by the new company from time to time.

In excess of \$280,000 has been expended in exploration and development work since the agreements were entered into. Four new uranium-thorium bearing zones have been discovered in addition to the two zones originally located by your company and additional similar zones are expected to be discovered as exploration work is carried out at greater depths. Although insufficient drilling has been done to give an accurate proven tonnage figure, shareholders at the Kerr Addison Annual Meeting in April, 1967 were advised that a nucleus of 5 million tons grading 2 pounds U_3O_8 per ton before dilution had been indicated in zone 3 alone which in itself would economically support a 1,500 to 1,800 tons per day operation for 10 years.

Accompanying this report is an extract from the remarks of Mr. W. S. Row, Chairman of the Board of Kerr Addison Mines Limited, to its annual meeting together with a report of Mr. J. H. Stovel President of that company.

Your directors anticipate that the property will be brought into production by 1971 at a rate of 3,000 tons per day. Estimates of ore in zone 3 do not include ore below the 2,200 foot horizon and substantial ore grade material is known to exist in the other zones above this horizon. It is expected that current and future drilling will extend all zones to a substantially greater depth. Significantly the geology suggests additional zones will be located as exploration work continues down dip, such as zone 6 recently intersected in a deep hole.

Accurate estimates of the costs of bringing the property into production are not yet available and the proportion of these costs to be paid out of equity capital as opposed to debt capital has not been determined. Kerr Addison has advised that estimates of costs through to December 31, 1968 will be available by the end of July of this year. In the meantime your directors are considering the best methods of financing Quebec Mattagami to assure its full participation and avoid dilution of its interest in the new company.

Three drills are presently working. Two are drilling to test zone 3 at about the 3,000 foot horizon and the other is being drilled as a test hole for the proposed shaft. The two deep holes are not expected to reach the target areas until sometime in August.

DESTOR TOWNSHIP, QUEBEC

Exploration and development work previously carried out on the Company's gold property (1,150 acres) just north of Noranda included over 40,000 feet of drilling, a shaft to 250 feet in depth and 2,400 feet of drifting and crosscutting on the 225 foot level. The area explored, representing about 7% of the total area, is estimated to contain 1,288 tons per vertical foot grading 0.211 oz. gold per ton. An induced polarization survey was run in 1966 on two test lines across this area and a portion of the southerly part of the property. In addition to locating the above gold bearing zones, the survey outlined four other stronger and several similar anomalous areas.

GASPE PARK AREA, QUEBEC

An aerial survey of this group of 25 claims has indicated a magnetic anomaly with a length of 3,000 feet.

ST. SIMEON AREA, QUEBEC

Last year the company acquired a block of claims covering approximately 7,000 acres with a length of approximately 5 miles along the uranium belt in the St. Simeon Area, about 125 miles north east of Quebec City. The results of an earlier aerial survey indicate a number of radioactive anomalies on this property. A preliminary scintillometer survey has been carried out over a very limited area, from which eight grab samples were taken, two of which assayed 0.15% and 0.12% U_3O_8 .

HAINAUT TOWNSHIP, QUEBEC

These claims have been allowed to expire.

The programme of exploration work on the company's Quebec holdings for the current year has not yet been determined.

It is regretted that ill health has prompted the resignation of Mr. B. W. Lang as President and a Director of your company. The Directors wish to express their appreciation to Mr. Lang for his services to the company and to the Officers and Chief Geologist of Kerr Addison Mines Limited for their co-operation in keeping us informed of their extensive exploration programme at Agnew Lake which has been so successful.

Toronto, Canada
June 6, 1967

On Behalf of the Board of Directors,
J. L. C. JENNER
President

Auditors' Report to the Shareholders

We have examined the Balance Sheet of Quebec Mattagami Minerals Limited as at December 31, 1966 and the related Statement of Exploration and Administrative Expenses and Deficit Account for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached Balance Sheet and the related Statement of Exploration and Administrative Expenses and Deficit Account present fairly the financial position of the Company as at December 31, 1966 and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario MCCORMACK, BARKER AND WESBROOK
April 13, 1967. *Chartered Accountants*

QUEBEC MATTAGAN

(Incorporated in

BALANCE SHEET

As at December 31, 1966

(with comparative figures for 1965)

	ASSETS	1966	1965
CURRENT ASSETS			
Bank Balances -	- - - - -	\$ 36,525.54	\$ 83,520.16
Accounts Receivable -	- - - - -		356.71
		<u>36,525.54</u>	<u>83,876.87</u>
FIXED ASSETS			
Mining Properties—at cost (Note 1)	- - - - -	65,850.00	59,000.00
Interest in Mining Properties—at cost (Note 2)	- - - - -	3,060.00	3,060.00
		<u>68,910.00</u>	<u>62,060.00</u>
Buildings—at appraised value (Note 3)	- - - - -	4,500.00	4,500.00
		<u>73,410.00</u>	<u>66,560.00</u>
DEFERRED CHARGES			
Shaft Sinking -	- - - - -	79,454.76	79,454.76
Exploration and Administrative Expenses—per Schedule	- - - - -	775,345.57	738,707.73
Organization Expense	- - - - -	1,859.65	1,859.65
		<u>856,659.98</u>	<u>820,022.14</u>
		<u>\$966,595.52</u>	<u>\$970,459.01</u>

Approved on behalf of the Board:

J. L. C. JENNER Director

J. DOUGLAS STREIT Director

NOTES TO THE FINANCIAL STATEMENTS**NOTE 1.**

Subsequent to December 31, 1966, the Company has abandoned its Mining Properties in Hainaut Township, Quebec, acquired at a cost of \$750.00 in 1966 and on which Exploration Expenditures totalling \$21.00 were made in 1966.

NOTE 2.

Under the terms of agreements dated March 31, 1965 and April 7, 1965, the Company has sold an undivided 80% interest in twenty-six unpatented mining claims in Hyman Township, Province of Ontario for a cash payment of \$25,777.00. The agreements further provide that if the purchaser incorporates a new company to acquire this mining property, the Company is to receive 20% of the shares of capital stock issued by the new company as consideration therefor.

MINERALS LIMITED

(Incorporated under the Laws of Ontario)

SHEET

as at December 31, 1966

(Comparative figures as at December 31, 1965)

	LIABILITIES	1966	1965
CURRENT LIABILITIES			
Accounts Payable	- - - - -	\$ 11,354.77	\$ 15,658.35
Owing to a Director (Note 4)	- - - - -	440.09	
		<u>11,794.86</u>	<u>15,658.35</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK			
Authorized 7,000,000 Shares Par Value \$1.00 each			
ISSUED FULLY PAID			
2,499,500 Shares	- - - - -	2,499,500.00	2,499,500.00
Deduct Discount Thereon	- - - - -	<u>1,070,195.50</u>	<u>1,070,195.50</u>
		1,429,304.50	1,429,304.50
DEFICIT—per Schedule	- - - - -	<u>474,503.84</u>	<u>474,503.84</u>
		<u>954,800.66</u>	<u>954,800.66</u>
		<u>\$966,595.52</u>	<u>\$970,459.01</u>

STATEMENTS—As at December 31, 1966

NOTE 3.

Buildings are valued on the basis of an appraisal made on September 6, 1960, by Alan C. Lee, Mining Engineer. The difference between book value at September 6, 1960, and appraised value at that date has been charged to the Deficit Account.

NOTE 4.

This account consists of expenses incurred by a director on behalf of the Company which have since been paid.

QUEBEC MATTAGAMI MINERALS LIMITED

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENSES

For the Year Ended December 31, 1966 (with comparative figures for the year 1965)

	1966	1965
Balance beginning of the year - - - - -	\$738,707.73	\$743,015.23
DEDUCT		
Prior Years' Exploration Expenditures on Abandoned Mining Properties—Written off -		40,967.66
	\$738,707.73	\$702,047.57
EXPLORATION EXPENSES		
Diamond Drilling - - - - -	1,688.95	23,537.25
Assaying - - - - -	598.10	992.00
Line Cutting - - - - -	1,217.74	256.00
Camp Expense - - - - -	175.00	
Wages - - - - -		1,050.00
Geophysical Surveys - - - - -	11,162.23	
Aerial Surveys - - - - -	5,674.62	
Engineering and Supervision - - - - -	2,921.71	4,441.00
Maps and Blueprints - - - - -	289.47	46.29
Mining Taxes and Licenses - - - - -	1,221.00	507.50
Insurance - - - - -	139.49	139.49
Tools and Supplies - - - - -		13.60
	<u>25,088.31</u>	<u>30,983.13</u>
DEDUCT		
Current Year's Exploration Expenditure on Abandoned Mining Properties—Written off -		21.00
	25,088.31	30,962.13
ADMINISTRATIVE EXPENSES		
Head Office Services and Rent - - - - -	3,150.00	3,000.00
Accounting Fees - - - - -	450.00	625.00
Legal and Audit Fees - - - - -	3,651.23	1,275.00
Reports to Shareholders - - - - -	2,917.82	1,357.70
Filing Fees and Corporation Taxes - - - - -	395.00	407.50
Transfer Agents' Fees - - - - -	1,658.46	963.33
Share Certificates - - - - -	715.62	
Office Supplies and Expenses - - - - -	409.33	76.41
Telephone and Telegraph - - - - -	94.56	48.95
Bank Charges - - - - -	1.07	
	<u>13,443.09</u>	<u>7,753.89</u>
	38,531.40	38,716.02
DEDUCT—Interest Earned - - - - -	1,893.56	2,055.86
	<u>36,637.84</u>	<u>36,660.16</u>
Balance, end of the year - - - - -	<u>\$775,345.57</u>	<u>\$738,707.73</u>

DEFICIT ACCOUNT—For the Year Ended December 31, 1966 (with comparative figures for the year 1965)

	1966	1965
DEBIT		
Balance, beginning of the year - - - - -	\$474,503.84	\$288,775.18
Mining Properties Abandoned - - - - -		157,500.00
Previous Years' Exploration Expenditures on Abandoned Mining Properties		40,967.66
Current Years' Exploration Expenditures on Abandoned Mining Properties		21.00
	<u>474,503.84</u>	<u>487,263.84</u>
CREDIT		
Profit on Sale of 80% Interest in Mining Properties - - - - -		12,760.00
BALANCE DEBIT, end of the year - - - - -	<u>\$474,503.84</u>	<u>\$474,503.84</u>

**Extract from the Address of Mr. W. S. Row,
Chairman of the Board of Kerr Addison Mines Limited
to the Shareholders at the Annual Meeting held on April 21st, 1967**

URANIUM

The year 1966 witnessed a large increase in the number of planned nuclear power plants in European countries (France, Germany, Italy, Britain) as well as in Japan and the United States. It is now apparent that nuclear power is fully competitive with power generated by fossil fuels. In the United States twenty-one nuclear power plants having a total capacity of more than 16,000 megawatts were under construction. This energy represents half the total energy to be generated by all power plants under construction. It is expected nine more nuclear plants will be ordered during 1967.

The best information available to us indicates that prices for U_3O_8 will increase to the point where production from new underground mines will be warranted sometime during the early 1970's and almost certainly before 1974.

The Annual Report outlines the results of Kerr Addison's drilling in 1966 on the property of Quebec Mattagami Minerals Limited under an agreement which assures Kerr Addison of an 80% interest in a company to be formed which will own the property. The report also refers to Kerr's additional holdings in the area.

A recent hole indicated a new zone above the Number 2 zone. A hole 1,000 feet west of the presently known west limit of the Number 3 zone failed to intersect the zone but did obtain a shallow intersection in the Number 2 zone which assayed 3.8 lbs. per ton U_3O_8 over an estimated 3-foot true width. A hole drilled 1,000 feet east of the previously known eastern limit of the Number 3 zone has obtained two narrow intersections in the zone as follows: 1.3 lbs. and 1 lb. U_3O_8 per ton over estimated true widths of 2.2 and 3 feet respectively at 1,500 to 1,600 feet of vertical depth. While these are weak intersections, they do indicate that the zone is still open to the east. Diamond drilling underway at present will test the zone at depths in excess of 2,000 ft.

It is proposed to keep three diamond drills at work in the area during the year testing for extensions on the Quebec Mattagami property and to explore your Company's extensive holdings in the area adjacent. Chances for finding additional ore appear good.

Results of preliminary metallurgical test work on diamond drill core sampled by Eldorado Mining and Refining Limited indicate a satisfactory recovery can be made.

It is estimated that there is sufficient ore indicated to warrant underground development, and assuming results of surface diamond drilling are confirmed by underground work, a plant of not less than 2,000 tons daily capacity would be warranted to commence production during the early 1970's. With such a production schedule in mind, preliminary engineering studies and feasibility reports are now being made for this property.

A production decision will be dependent not only on the size of the orebody and marketing arrangements, but to an even greater extent on assurances that there will be no major adverse changes in the Canadian tax structure relating to new mining ventures.

**Report of Mr. J. H. Stovel, President of
Kerr Addison Mines Limited
dated April 21st, 1967**

Preliminary economic studies indicate that with U_3O_8 at \$8.00 U.S. per pound the Agnew Lake uranium property can be brought into production on a satisfactory economic basis.

Market studies forecast U_3O_8 prices of \$8.00 U.S. per pound by 1971 or 1972 with increases to \$10.00 U.S. by 1975 or 1976.

Drilling to date has indicated a nucleus of ore in Zone 3 (5,000,000 tons grading 2.0 lbs. U_3O_8 per ton before dilution) which would itself economically support a 1,500 to 1,800 ton per day operation for ten years. Expansion of Zone 3 to the east and at depth, plus development of ore from the several supplementary reefs will dictate plant size above that justified by the basic nucleus. It is, however, reasonable to assume that underground exploratory development will suggest a 2,000 to 3,000 ton per day operation.

Initial metallurgical testing of diamond drill core has indicated that recovery of U_3O_8 should be 94-95%. Both extraction and milling costs should compare favourably with those obtained in the Elliot Lake area.

If a January 1, 1971 production start-up date were assumed there would remain from this date forty-four months to carry out initial planning, site preparation, shaft sinking, underground exploratory and preproduction development, plant design and construction, and operational tune-up.

Preliminary scheduling shows that to realize such a production date detailed engineering studies and access road construction would have to be initiated without delay, and that shaft sinking should commence by the end of this year if this is practicable.

